

**REVIEW OF INVOICES SUBMITTED BY
SECURIGUARD[®], INCORPORATED**

Evaluation Report No. 97-010
September 30, 1997

OFFICE OF CONGRESSIONAL RELATIONS AND EVALUATIONS

OFFICE OF INSPECTOR GENERAL

DATE: September 30, 1997

TO: Jane Sartori
Director
Division of Administration

FROM: Stephen M. Beard
Director, Office of Congressional Relations
and Evaluations

SUBJECT: *Review of Invoices Submitted by SECURIGUARD®, INCORPORATED*
(EVAL-97-010)

The Office of Inspector General (OIG) has completed a review of invoices submitted by SECURIGUARD®, INCORPORATED (Securiguard) for services provided from March 1, 1996, through February 28, 1997. On March 17, 1997, the Division of Administration requested that we perform a billing review to assist the Corporation in determining the accuracy of past charges and whether Securiguard submitted false claims on past invoices. The objective of our review was to determine whether the invoices submitted by the firm during the first year of the contract accurately reflected the actual hours worked and the category of guards filling guard posts.

SUMMARY OF REVIEW

Our review showed that Securiguard's invoices were reasonable and mathematically correct. We also determined that, with few exceptions, Securiguard's invoices were supported by official timekeeping documents. We identified only a few discrepancies, resulting in questioned costs of \$234.41--\$218.08 for duplicate posts and \$16.33 for time charges not supported by Operations Log Sheets. However, the absence of Operations Log Sheets to support a majority of the timekeeping documents limited the assurance we could provide on the accuracy of Securiguard's invoices.

In addition, Securiguard did not maintain armed guard licenses on FDIC premises for 168 guards serving on the 61 dates we reviewed, as required by the contract. As a result, FDIC had no assurance that the 168 guards we identified as not having licenses on FDIC premises were, in fact, properly licensed. Further, because the armed guard rate is higher than the unarmed guard rate we were concerned that Securiguard may have overcharged FDIC during the period in which these guards' licenses were not on file at FDIC. Securiguard charged

FDIC the armed guard rate for the 168 guards, which is \$3.86 higher than the hourly rate for unarmed guards. Thus, we stated in a draft of this report that Securiguard may have overcharged FDIC by \$320,175.27. After we issued the draft report, Securiguard produced 97 certifications showing that these guards had been properly certified as armed guards during the time periods we reviewed. An additional 13 armed guard certifications provided by the firm showed that these guards had been certified for part of the time periods we reviewed. As a result, we are reducing our questioned costs to \$76,657.75.

Aside from the billing issues, we found that FDIC could improve its oversight of guard activities and the efficiency of the timekeeping system used to record guard time charges. In its response, management stated that the new security system currently being installed will allow for improved monitoring of guard activities. In addition, management stated that the Statement of Work (SOW) for the next security services contract will include a provision for the contractor to have an automated timekeeping system. We also noted that FDIC had not modified the contract to reflect additional guard services and changes in post assignments. We provided the Corporation with those observations during the review and management indicated it would take appropriate corrective action.

On September 24, 1997, the Associate Directors, Corporate Services Branch and Acquisition Services Branch, provided us the Corporation's written response to a draft of this report. The Associate Directors agreed with the recommendations and the response provided the requisite elements of a management decision for each of the four recommendations. The Corporation's written response is included in its entirety as Appendix I of this report. Appendix II presents our assessment of management's responses to the recommendations and shows that we have a management decision for each of the recommendations. As a result of this evaluation, the OIG will report \$76,892.16 of questioned costs in its *Semiannual Report to the Congress*.

SCOPE AND METHODOLOGY

To accomplish our objective, we interviewed Securiguard officials, including senior management officials and the project manager, and FDIC's Oversight Manager for the Securiguard contract. We recalculated the invoices submitted to FDIC by Securiguard to determine their mathematical accuracy, calculated expected invoice amounts based on hours and rates established in the contract, and compared our calculated amounts with the amounts billed to determine invoice reasonableness. We also compared the rates billed with those established in the contract to ensure their accuracy. We reviewed the documentation supporting the invoices, including the General Services Administration (GSA) Forms 139 and the Operations Log Sheets. From the 1-year period during which Securiguard provided services, we randomly selected 61 dates for use in testing. We determined whether guards charged time at more than one post at the same time (duplicate posts) by comparing the GSA Forms 139 for each post for our sampled dates. We also determined whether the sign in/sign out times shown on the GSA Forms 139 were

accurate by comparing them with the times shown on the Operations Log Sheets for the 16 dates that the logs were available for both FDIC's Virginia and District of Columbia offices.

We also obtained documentation from FDIC and Securiguard to show whether armed guards were properly licensed on the 61 dates we randomly selected. We scheduled the guards' names and certification expiration dates, and subtracted 1 year from the expiration dates to determine the effective period of the certification. For each of our 61 sampled dates, we identified the names of guards working at armed guard posts and compared the names to our schedule of licensed armed guards. We used statistical sampling methods to determine the amount overcharged by Securiguard for the guards who served on armed guard posts, but for whom Securiguard did not have licenses on file at FDIC. We did not evaluate the licensing process carried out by licensing bodies or determine whether lapses occurred in guards' licenses. In addition, we did not evaluate the "Temporary Additional Services" provided by Securiguard because the related billings were immaterial.

We encountered scope limitations which may have impacted our evaluation results. Specifically, we could not validate changes made to GSA Forms 139 because FDIC did not have the supporting Operations Log Sheets for both jurisdictions for 45 of our 61 sampled dates. This condition diminished the level of assurance we could place on the forms' propriety. In addition, certain documents provided for our review, including GSA Forms 139 and armed guard licenses, were only available as photocopies. The risk exists that these documents could have been altered. We conducted our evaluation between March 21, 1997, and June 13, 1997, in accordance with the President's Council on Integrity and Efficiency's *Quality Standards for Inspections*.

BACKGROUND

The OIG received a Hotline allegation concerning Securiguard substituting unarmed guards for armed guards at FDIC's Virginia Square office building. The allegation was subsequently referred to the Division of Administration (DOA) which reviewed the December 1996 invoice and related documents for Virginia Square and found that the allegation had merit. DOA referred the allegation to the OIG's Office of Investigations for its review which found that the "incidents reported to date appear to be isolated in nature and best handled through standard contract remedies." DOA agreed to address the findings with Securiguard to correct the performance problems immediately and requested that we conduct a billing review of the firm's invoices. While we were performing our evaluation, Securiguard conducted its own review of January, February, and March 1997 documents to address FDIC's concerns.

FDIC and Securiguard entered into the contract on February 26, 1996, with a performance period of March 1, 1996, through February 28, 1997. As of March 3, 1997, Securiguard had billed FDIC \$3.7 million for its security services at FDIC's Washington, D.C. metropolitan area offices. The contract identified the services Securiguard was to provide and specified

post location, post hours of operations, and whether the guards working at the posts should be armed or unarmed. Armed guards are regulated by licensing bodies in the jurisdictions in which they work. These licensing bodies establish requirements such as weapons training, background investigations, and drug testing needed before an applicant can be licensed as an armed guard. The contract required that Securiguard maintain licensing documentation on FDIC premises for all armed guards. The contract also established the timekeeping system, which consisted primarily of guards completing the GSA Form 139 showing their sign in/sign out times for each post. The GSA Form 139 constitutes the official timekeeping document, and Securiguard used this form to generate its payroll. In addition to this form, guards completed the Operations Log Sheets which showed security-related incidents and other post activity. Typically, guards also signed in/signed out on the Operations Log Sheets.

RESULTS OF REVIEW

Armed Guard Licenses

Although both we and FDIC's Oversight Manager requested that Securiguard produce all armed guard licenses for its armed guards providing services to FDIC, Securiguard did not produce all of them. Securiguard is contractually required to maintain copies of armed guard licenses on file at FDIC premises. For the 61 dates in our sample, we identified 168 guards who served on armed guard posts, but for whom Securiguard did not produce their licenses. Thus, we presumed, for the purpose of analyzing Securiguard charges, that the licenses did not exist. The rates for armed and unarmed guards differ, with armed guards billed at \$18.26 per hour and unarmed guards billed at \$14.40 per hour. Because the armed guard rate is higher than the unarmed guard rate, we were concerned that Securiguard may have overcharged FDIC by \$320,175.27 during the period in which these guards' licenses were not on file at FDIC.

We used statistical sampling methods to calculate the amount overcharged by Securiguard for the 168 guards who served on armed guard posts, but for whom Securiguard did not have licenses on file at FDIC. Based on Securiguard's timesheet history reports, we determined that 71 of the 168 guards worked a full-time schedule for the periods in which licenses were not on file. For each of the 71 guards, we calculated the amount overbilled by (1) identifying the earliest and latest sample date the guard worked without a license on file, (2) determining the hours worked during that period, and (3) applying the \$3.86 difference between armed

and unarmed guard rates.¹ We calculated overcharges of at least \$201,800.80 for the full-time guards.²

For the 97 guards who worked less than a full-time schedule, we calculated an average number of hours worked per week to use for our overcharge computation. For each of the 97 guards, we scheduled the hours reflected in Securiguard's timesheet history reports for the periods of time between the first and last sampled dates, calculated an average number of hours worked by each of the 97 guards, and computed an overall average hours worked per week. Through use of generally accepted random sampling methods and statistical techniques, we are 95 percent confident that the 97 guards worked an average of 26.76 hours per week, plus or minus 1.71 hours. We converted the average hours per week to 5.352 average hours per day and applied the \$3.86 rate difference between armed and unarmed guards. We calculated overcharges of \$118,374.47 for the 97 guards who worked less than a full-time schedule for the periods in which licenses were not on file at FDIC.

Through its contract with FDIC, Securiguard is responsible for ensuring that it has copies of licenses at FDIC for all guards who provide services to the Corporation. However, Securiguard was minimally involved in the licensing process for its guards and relied on its guards to obtain their own licenses and renewals and to subsequently provide Securiguard a copy of their licenses for its files.

Securiguard conducted its own review of the alleged use of unarmed guards to fill armed guard posts. Securiguard identified weaknesses that would allow the substitution of unarmed guards for armed guards to occur, such as last minute call-offs by armed guards to say they would not be reporting to work, absences without notification, and other emergencies. In its April 25, 1997, report to FDIC, Securiguard stated that, to correct this situation, the firm has established a requirement that all armed guards have their certifications, registrations, or licenses in their possession while on duty, and that the shift supervisors monitor the guards' compliance with this requirement. Securiguard's report to FDIC included additional corrective measures, such as:

(1) requiring its guards to submit all final licensing paperwork to the licensing agency via Securiguard's corporate offices; (2) auditing personnel records to verify the status of all

¹For example, one guard worked on 27 of our sampled dates, ranging from April 1, 1996, to September 12, 1996. The guard's license on file was not effective until September 15, 1996. As a result, we used the period from April 1 to September 12 to determine the hours this guard worked.

²The overcharges could be higher because our computations are limited to those pay periods during which guards worked on our sample dates. As an example, one guard whose license was effective from March 27, 1997, to March 27, 1998, worked on two of our sample dates--February 9, 1997, and February 15, 1997. We calculated overbilled hours for the one pay period covering these two dates. However, this guard worked in pay periods before February 9, 1997, and we did not calculate the overbilled hours because this guard did not work on any of our sample dates before February 9, 1997.

to verify with its Human Resources Department any individual listed in the computer as an unarmed guard who is identified on payroll documents as working an armed guard post.

Securiguards' corrective measures should help ensure that, in the future, armed guards have the required training and licenses to carry weapons and armed guard posts are filled with appropriately licensed guards. With respect to the past billing period we reviewed, we recommended in our draft report that the Acquisition Services Branch (ASB) disallow the \$201,800.80 in overcharges for full-time unlicensed armed guards and \$118,374.47 in overcharges for the unlicensed guards who worked less than a full-time schedule.

TourWatch System

Ten post assignments entailed the use of guards known as “rovers,” who walk about FDIC buildings to maintain security and perform services such as checking that doors are locked and escorting visiting personnel. FDIC required the use of the TourWatch system in the contract and provided the hardware and software for use by Securiguard. This system uses bar codes affixed to areas to be checked, and the rovers carry bar code readers so they can scan the bar codes to show that the areas were checked. The use of this system was intended to provide FDIC assurance that rovers were, in fact, monitoring designated areas. However, the system was not being used. FDIC’s Oversight Manager explained that the system was not being used because it was antiquated, and FDIC had difficulty with the system functioning properly. Without the information that could be provided by this system, oversight of rover activity was made more difficult, and FDIC had less assurance that the rovers were properly discharging their duties. According to the Oversight Manager, FDIC is currently in the process of installing a new security system that will provide information needed to monitor the rovers. The Oversight Manager said that the new security system should be operational by September 1997.

Vacant Posts and Guard Overlap

Securiguard employees did not service all assigned posts on 27 of the sampled 61 dates, thus increasing the risk to FDIC of a security breach. For the 61 days in our sample, we found 55 posts which were vacant for a total of 227 hours, ranging from one post having no guard on duty for 1 hour to one post being open for 10½ hours. As an example, on October 2, 1996, six posts were vacant for a total of 16¼ hours. FDIC’s Oversight Manager was aware that Securiguard did not always fulfill its post assignments and informed the firm about the vacant posts. According to the Oversight Manager, Securiguard’s bankruptcy proceeding was affecting its ability to retain personnel. Securiguard did not bill FDIC for these vacant posts.

In our sample of 61 dates, we found three instances of guard overlap--one guard working at more than one post during the same time period. Specifically, we found an overlap of 4 hours for two posts and 5 hours for one post, resulting in an overpayment to Securiguard of \$218.08. We also found two instances of posts open for ½ hour each for which Securiguard billed FDIC \$16.33.

Current Timekeeping System

The current timekeeping system for the Securiguard contract required the use of GSA Forms 139. The use of such a manual system resulted in time-intensive reviews by FDIC to verify, for example, that guards had not charged hours to duplicate posts. In addition, to prepare its payroll, Securiguard had to account for as many as 42 posts during 1996, with each post

generating a GSA Form 139 daily and hundreds of forms by the end of each invoice period. When compared to an automated system, the manual timekeeping system also provided less assurance that guard time charges were accurate. The manual timekeeping system is a holdover from a period when GSA provided and regulated security services at Federal buildings. Current business practices would suggest that a more efficient method be used to record guard time charges and provide assurance as to their accuracy. We discussed updating the timekeeping system with the Oversight Manager who stated that an automated system is under consideration for FDIC's next security services contract. FDIC is currently preparing the requirements for the next contract and anticipates bid solicitation in the Fall, 1997.

Safeguarding FDIC's Warehouse

FDIC did not formally modify its contract with Securiguard for additional guard services the firm provided at an FDIC warehouse. FDIC requested that Securiguard guard an FDIC warehouse holding valuable computer equipment. While these services were similar to the services being provided by Securiguard at other FDIC buildings, the contract did not list FDIC's warehouse as a property that the firm was responsible for guarding. FDIC paid Securiguard \$36,994.78 for these services during the period March 1996 through February 1997. FDIC did not formally document this change to the contract as required by the *Procurement Policy Manual*, although Contracting and Security personnel discussed the need to do so. The Manual required that "any actions requiring the modification of a purchase order or contract . . . can only be made by the Contracting Officer, and only in writing." We communicated the lack of a formal modification to the Contracting Officer and were told that the workload of issuing other contracts had taken precedent. The Contracting Officer agreed to formally document the change by modifying the contract and to ratify the associated costs.

Post Assignments

FDIC did not formally document changes in post assignments using a modification, although the Oversight Manager provided us other documents, such as electronic mail messages, to support these changes. For example, during the first year of the contract, FDIC added Posts 11A, and deleted Posts 32, 33, and 34. FDIC's *Procurement Policy Manual* states that "Contract modification can result in a reduction or increase of overall price or cost, in the alteration of time performance, or, as may occur, in no change to either price, cost, or schedule. Oral orders resulting in changes must be confirmed in writing to become contract modifications" We brought the issue to the attention of the Contracting Officer and Oversight Manager during the course of our review. The Contracting Officer stated that a modification had been planned, but the workload of issuing other contracts had taken precedent. The Contracting Officer agreed to formally document the post assignment changes by modifying the contract.

CONCLUSIONS AND RECOMMENDATIONS

Securiguard's invoices appeared reasonable and testing of the underlying time sheets on a sample basis showed that most of the time charges were supported by the GSA Forms 139. The invoices were also mathematically correct. We identified only few discrepancies resulting in small dollar questioned costs of \$234.41-- \$218.08 for duplicate posts on the GSA Forms 139 and \$16.33 for inaccurate time charges after comparing the GSA Form 139s with the Operations Log Sheets. We recommended that the Associate Director, Acquisition Services Branch:

- (1) Disallow \$234.41 related to those charges for duplicate posts and charges not supported by the Operations Log Sheets. (Questioned cost, all of which is unsupported)

FDIC management should be concerned with the lack of licenses on file for armed guards. We could not determine whether the documentation was just missing, or whether the guards were not licensed to serve as armed guards. Securiguard's actions to coordinate the guard licensing process should alleviate this situation in the future. However, with respect to the past billing period reviewed, we presumed the licenses did not exist and identified overcharges of at least \$201,800.80 for the 71 guards who worked a full-time schedule, and \$118,374.47 of overcharges for 97 guards who worked less than a full-time schedule for the periods in which they were not licensed. We recommended that the Associate Director, Acquisition Services Branch:

- (2) Disallow \$320,175.27 in charges for guards that were billed as armed guards, but for whom licenses were not on file at FDIC. (Questioned cost, all of which is unsupported)

Aside from the billing issues, we identified certain practices that could allow FDIC to more efficiently and effectively oversee its contractor. Specifically, an automated timekeeping system may help Corporation staff more readily identify vacant posts, duplicate posts, and tardiness by printing daily exception reports. Further, an automated timekeeping system could provide greater assurance as to the accuracy of time charges. At a minimum, we believed that a timekeeping device such as a time clock should be installed to record sign in/sign out times and to provide increased assurance of the accuracy of time charges. We also determined that FDIC's oversight of rovers was made more difficult because the TourWatch system was not functioning properly. Accordingly, we recommended that the Associate Director, Corporate Services Branch:

- (3) Consider implementing an automated timekeeping system that will more efficiently and effectively provide the Oversight Manager information needed to monitor guard time charges.

- (4) Ensure that the new contract for security services and security system includes a mechanism for monitoring rovers.

CORPORATION RESPONSE AND OIG EVALUATION

On September 26, 1997, the Associate Director, Acquisition Services Branch, and the Associate Director, Corporate Services Branch CSB, DOA, provided the Corporation's written response to a draft of this report. The response is presented as Appendix I to this report. ASB and CSB management agreed with our recommendations, and the response provided the requisites for a management decision for all four recommendations.

Disallow \$234.41 related to those charges for duplicate posts and charges not supported by the Operations Log Sheets. (Questioned cost, all of which is unsupported) ASB management agreed with our recommendation and will offset Securiguard's next monthly invoice by \$234.41 for the charges.

Disallow \$320,175.27 in charges for guards that were billed as armed guards, but for whom licenses were not on file at FDIC. (Questioned cost, all of which is unsupported) ASB management agreed in principle with our finding. ASB and CSB management met with Securiguard management on August 27, 1997, to discuss the recommendation. OCRE personnel attended the meeting as well. As a result of the meeting, Securiguard management submitted to ASB on September 10, 1997, copies of certain certifications that had not been on file at FDIC as required. ASB subsequently provided us copies of the certifications for our review. The certifications showed that 97 of the 168 guards (58 percent) without certifications on file at FDIC had been properly certified as armed guards during the time periods we reviewed. An additional 13 armed guard certifications provided by Securiguard showed that these guards had been properly certified for only part of the time periods we reviewed. In a separate letter dated September 10, 1997, Securiguard reported that 30 of the 168 guards (18 percent) worked at armed guard posts but were not licensed to serve as armed guards.

As of September 25, 1997, ASB has not received any additional certifications from Securiguard. Securiguard management previously reported in its September 10, 1997, letter that it would continue to confirm the status of other personnel by requesting information from the District of Columbia Security Officer Management Branch and the Virginia Department of Criminal Justice Services. In question are the 41 remaining guards who served in armed guard posts and may or may not have been certified (168 guards without certifications on file less 97 guards with certifications provided by Securiguard less 30 guards confirmed to be uncertified). We reduced our questioned costs from \$320,175.27 to \$76,657.75 to account for the 110 guards who were in whole or in part certified during the time periods we reviewed (97 guards and 13 guards), but for whom Securiguard did not have the certifications on file at FDIC as required. These revised questioned costs may be reduced further upon receipt of

additional armed guard certifications from Securiguard. ASB will submit to the OIG any subsequent certifications submitted by Securiguard for its review. Once this review has been completed, ASB will offset prior and future invoices with any outstanding questioned costs.

Our report treated missing armed guard certifications as a documentation issue. We now have additional concerns with Securiguard's acknowledgement that 30 guards worked armed guard posts without being properly certified. FDIC uses armed guards in designated areas to ensure that the guards will be able take appropriate action in the event of a security breach. Uncertified armed guards could pose a security risk to the Corporation because the uncertified guards, and likewise unarmed guards, would not be able to take appropriate action. Securiguard's planned corrective actions detailed in its self-evaluation should help ensure that guards are properly certified. As previously mentioned, Securiguard plans to (1) require its guards to submit all final licensing paperwork to the licensing agency via Securiguard's corporate offices; (2) audit personnel records to verify the status of all personnel assigned to the FDIC contract; and (3) direct Securiguard's Payroll Department to verify with its Human Resources Department any individual listed in the computer as an unarmed guard who is identified on payroll documents as working an armed guard post. In addition, ASB and CSB's planned action should also help ensure that guards are properly licensed. Specifically, ASB, in conjunction with CSB, will review the entire Securiguard staff to ensure that the guards are appropriately assigned to the categories (armed versus unarmed) for which they are qualified.

Consider implementing an automated timekeeping system that will more efficiently and effectively provide the Oversight Manager information needed to monitor guard time charges. CSB management reported that the Security Services Section is currently drafting the SOW for Washington, D.C. metropolitan area security as part of a new contract with an anticipated award date of March 1, 1998. The SOW contains a new provision for the contractor to have an automated timekeeping system.

Ensure that the new contract for security services and security system includes a mechanism for monitoring rovers. CSB management reported that the new security system scheduled for completion by mid-October 1997 will allow for improved monitoring of roving security guards.

APPENDIX I

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CORPORATION COMMENTS

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MANAGEMENT RESPONSES TO RECOMMENDATIONS

This table presents management responses that have been made on recommendations in our report and the status of management decisions. The information for management decisions is based on management's written response to our report and subsequent discussion with management representatives.

Rec. Number	Corrective Action: Taken or Planned/Status	Expected Completion Date	Documentation That Will Confirm Final Action	Monetary Benefits	Management Decision: Yes or No
1	ASB will disallow \$234.41 in questioned costs and will offset them against Securiguard's next monthly invoice.	11/1/97	October 1997 invoice and associated Credit Memorandum showing adjustments to amount billed.	\$234.41	Yes
2	ASB will seek recovery of \$76,657.75 in questioned costs through offset of prior and future invoices as appropriate.	11/1/97	Prior and future invoices and associated Credit Memorandums showing adjustments to amounts billed.	\$76,657.75	Yes
3	CSB is currently re-writing the Statement of Work to include a new provision for the next security services contractor to have an automated timekeeping system.	10/17/97	Copy of new provision added to Statement of Work.	No	Yes
4	CSB is currently implementing a new integrated security system which will allow for improved monitoring of roving security guards.	10/17/97	Report on roving guard activity.	No	Yes